MR. C. O. MADHAVAN (*Excise Commissioner*) : In the matter of first recruitment alone, are communal claims considered ; and promotions go by seniority, qualification merit and efficiency.

DEMANDS FOR GRANTS—(*contd.*)

DEMAND II—TAXES ON INCOME

PRESIDENT : The House will continue the voting on Demands for Grants. The next Demand is Demand II—Taxes on Income, and the discussion on that will close at 1-30. After tiffin, the Excise Department will be taken up and it will be discussed for 2½ hours.

MR. K. KUNJUKRISHNA PILLAI (*Quilon I*) : Before we proceed to the discussion of Demands, I wish to clear one doubt. I want to know whether we are going to get half a day *excluding* question time for minor Demands; because, the practice formerly was to compute 5 hours as a day, excluding question time so that we got 2½ hours for half a day.

PRESIDENT : Yesterday I tried to make it clear that question time is to be included for purposes of calculating half a day. I am perfectly willing to do whatever the House desires on the point. At present, my ruling is that question time is included in the computation of a day.

MR. A. THANU PILLAI (*Trivandrum—Rural*) : May I suggest tha question time be deducted from the total number of hours allotted for each day and the remaining time divided by two for calculating half-a-day? For instance, in this case excluding one hour for interpellations, the remaining four hours may be divided by two so that it will come to two hours for Income Tax and another two hours for Excise.

PRESIDENT : I don't think we can do like that.

MR. A. THANU PILLAI (*Trivandrum—Rural*) : A day is reckoned as five hours and question time takes one hour. We will divide the remaining four hours for the discussion of two Demands. According to the President's statement, we have only 1½ hours left for discussing Income Tax; and we will have 2½ hours for Excise. Is it not better to deduct the question time from the whole day and divide the rest *equally* for the two Demands?

PRESIDENT : I don't think we can divide the day like that.

MR. CHANGANACHERY K. PARAMESVARAN PILLAI (*Kunnattur* cum *Pattanapuram*) : Now, there are more members in the House, and more subjects come up for consideration than formerly. According to former practice, question time was excluded, and a day was reckoned as five hours and 2½ hours constituted half a day.

PRESIDENT : I am entirely in the hands of the House.

MR. A. S. DAMODARAN ASAN (*Mavelikara*) : If we go by Mr. Changanachery K. Paramesvaran Pillai's suggestion, we have to sit for longer hours in the day. I also agree with him. I request that five hours may be considered as one day and 2½ hours as half a day. I request the President to order like that so that we can do full justice to our work.

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PRESIDENT: I cannot do like that. A day will consist of five hours including interpellations. There are limits to one's physical capacity.

Does the House agree to adopt Mr. Thanu Pillai's suggestion for deducting the question time from the total number of hours and distributing the rest equally for discussion of Demands?

MR. KAYALAM PARAMESVARAN PILLAI: (*Additional Head Sirkar Vakil*): I think it is better members come to some informal arrangement among themselves regarding this.

Motion No. 55.

MR. A. S. DAMODARAN ASAN (*Mavelikara*): Sir, I beg to make the following motion:

To reduce the allotment of Rs. 6,020 for salaries by Rs. 4,500.

My object in making this motion is to impress upon the Government the fact that the posts of Income Tax Inspectors in this State can be abolished without detriment either to public interests or to public revenue. Even in 1097, when the idea was first brought to the notice of the Council for making an allotment for Income Tax Inspectors, it was opposed by an overwhelming majority. It was then pointed out that these Income Tax Inspectors were a superfluity. There are Tahasildars, Peishkars and the Land Revenue Commissioner to carry on the income tax work efficiently; and to help the Tahsildars there are the Proverthicars in all pakuthies. Then, the demand was for seven Income Tax Inspectors. The House rejected the whole item. Later on Government brought forward a suggestion that three Inspectors might be allowed as an experimental measure and that after trying the experiment, they would ask for more if necessary. Anyhow, that was going on for the last eleven years. They have not since come in for more Inspectors; and they have not even justified the continuance of the present Inspectors. The Retrenchment Committee also has suggested that these Income Tax Inspectors' posts could well be abolished. I think it is only good economy that these posts are abolished and the expenditure avoided. There are only three Inspectors—one at Trivandrum, another at Quilon and the third at Alleppey. The very fact that the Government do not want Inspectors in Kottayam, Nagercoil and other equally important places shows that the Inspectors are not absolutely necessary. Anyhow, Government have got the list of persons who are in a position to pay income tax. The list must have already been prepared, and if any persons are in a position to pay income tax, there is not much difficulty in finding them out. In all these places, there are the Municipalities, and it is not difficult to get a list of such persons from them. With these words, I move this motion for the consideration of the House.

MR. T. P. VELAYUDHAN PILLAI (*Tiruvalla III*): സർ, ബിസിനസ്സ് ലിസ്റ്റിലെ അടുത്തമോഷൻ ഞാൻ അവതരിപ്പിക്കേണ്ടതായിട്ടാണിരിക്കുന്നത്. ഈ രണ്ടു മോഷനും ഒരേസംഗതിയെക്കുറിച്ചാകയാൽ ഞാൻ പറയണമെന്നുദ്ദേശിക്കുന്ന സംഗതി ഈ സമയത്തു പറയാമെന്നു

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ഞാൻ ഉദ്ദേശിക്കുന്നു. മി. ദാമോദരനാശാൻ അവതരിപ്പിച്ചിട്ടുള്ള ഉപക്ഷേപത്തോടു ഞാൻ പൂർണ്ണമായി യോജിക്കുന്നു. അതിനാൽ മി. ആശാൻ പറഞ്ഞിട്ടുള്ള സംഗതികളിൽ കൂടുതലായിട്ട് എനിയ്ക്കു പറയാനുള്ള ഭാഗം മാത്രമേ ഞാൻ ഇവിടെ പറയണമെന്നുദ്ദേശിക്കുന്നുള്ളൂ.

ഓരോ ആണ്ടുകഠം ചെല്ലുംതോറും ആദായനികുതി കൊടുക്കപ്പെടുന്നവരുടെ എണ്ണം വളരെ കുറഞ്ഞുവരുന്നതായിട്ടാണ് ഭരണറിപ്പോർട്ടു കൊണ്ടുകാണുന്നത്. ൧൦൩-ൽ ൨ ലക്ഷം അസ്സസീസ് ഉണ്ടായിരുന്നതു് ൧൦൬-ൽ ൨൫൯ മാത്രമേ ഉള്ളൂ. ൧൦൬-ൽ ആകെ ൨൫൨ ഇൻഡിവിഡുവൽസും ൧൦൭ കമ്പനീസും ൫ Firms-ം ആണ് ഉണ്ടായിരുന്നതു്. ഇൻഡിവിഡ്വൽസിനെ സംബന്ധിച്ചു് അസ്സസ്സ് ചെയ്യാൻ ഈ സേറ്റേറു ഒട്ടുക്കു പേഷ്കാരന്മാർ, ദേവികുളം കമ്മീഷണർ, തഹശീൽദാരന്മാർ, ഇവരുടെപ്പെടെർ൧ ആഫീസേഴ്സ് ഉള്ളതായിട്ടാണ് കാണുന്നതു്. ഈ ജോലി കാര്യക്ഷമതക്കു് ഹാനികരമല്ലാത്തവിധത്തിൽ ഇവരാൽ വഹിക്കപ്പെടുന്നതുണ്ടു് ഇനി കമ്പനികളെപ്പറ്റി പറയുകയാണെങ്കിൽ ഈ കമ്പനികളെല്ലാം ജായിൻറസ്റ്റാക്കു കമ്പനിറഗ്രുലേഷൻ അനുസരിച്ചു രജിസ്റ്റരാക്കപ്പെട്ടിട്ടുള്ളവരാണ്. ഈ കമ്പനികളുടെ കണക്കുകളെ ജായൻറസ്റ്റാക്കു രജിസ്ട്രാക്കുതന്നെ യാതൊരു പിശകുംകൂടാതെ പരിശോധിക്കുന്നതിനു സാധിക്കും; അങ്ങനെ അതു് നിർവഹിച്ചുവരുന്നുമുണ്ടു്. അവർ തയ്യാറാക്കുന്ന ബാലൻസ് ഷീറ്റിൽ നിന്നും ആ കമ്പനി കൊടുക്കേണ്ട ഇൻകംടാക്സ് എത്രയാണെന്നു നിശ്ചയിക്കാമെന്നുള്ളതുകൊണ്ടു ഈ കമ്പനികളെ സംബന്ധിച്ചു ഇൻകംടാക്സ് ഇൻസ്പെക്ടർ ഉണ്ടായിരിക്കേണ്ട ആവശ്യമില്ല. ഇനി ൫ Firm-സ്സിനെപ്പറ്റി പറയുകയാണെങ്കിൽ ഇപ്പോൾ ഇവിടെ രാജരാക്കിയിട്ടുള്ള ബഡ്ജറ്റിൽ ൧൦൦ രൂപാ മുതൽ ൧൫൦ രൂപാവരെ ശമ്പളത്തിൽ ഇൻകംടാക്സ് ആഡിറർ ഉള്ളതായിട്ടു കാണുന്നുണ്ടു്. പ്രയാസവും അത്യാവശ്യകതയുമുള്ള അവസരങ്ങളിൽ ഇൻഡിവിഡ്വൽസിനെ സംബന്ധിച്ചും Firms കളെ സംബന്ധിച്ചും ഉള്ള ജോലികഠം നിർവഹിക്കയും ഗവണ്മെൻറിന്റെ ആദായത്തിനു ഹാനികരമല്ലാത്തവിധത്തിൽ പ്രവൃത്തിക്കയും ചെയ്യുന്നതിനു ഈ ആഡിറർക്കു സാധിക്കുന്നതാണു്. ഇതിനുംപുറമെ ഇപ്പോഴത്തെ ഈ സാമ്പത്തികാധഃപതനകാലത്തു ഈ അനാവശ്യമായ ഇൻകംടാക്സ് ഇൻസ്പെക്ടർമാരെ നിത്തൽചെയ്യേണ്ട ആവശ്യകതയുമുണ്ടു്. ഈ അഭിപ്രായത്തെ പ്രകടിപ്പിച്ചുകൊണ്ടു ഞാൻ ഈ ഉപക്ഷേപത്തെ പിൻതാങ്ങിക്കൊള്ളുന്നു.

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MR. N. ABDUR RAHIMAN SAHIB (*Nominated*): Sir, I also support the motion of Mr. Asan. In spite of the fact that there are Income Tax Inspectors there are what are called vagaries in that section of the Land Revenue Department. There are diploma-holding Clerks, and Income Tax Auditors and the so-called confidential enquiries made by the Inspectors are not at all based on correct information. Round figures are very often arbitrarily fixed, and merchants and traders are therefore put to very great hardship. I know 95 per cent. of such cases come up in appeal, and most of the appeals are allowed by the Dewan Peishkars and the Land Revenue Commissioner. To avoid such contingencies and for the work being efficiently discharged, it is enough if there are only Income Tax Auditors and qualified people appointed as Clerks in the Assistant Dewan Peishkars' Offices. The Income Tax Inspectors' posts are quite unnecessary. The other day, at the time of the general discussion of the Budget, Mr. Chidambaram Pillai rightly referred to the hardships of the merchants, *viz.*, that the accounts are not properly scrutinised. There are no data, and very often the assessment is made on wrong information supplied by the Income Tax Inspectors. I am also of opinion that the round figures at which assessments are made are very often imaginary and the merchants are put to very great difficulties. With these words, I support the motion of Mr. Asan.

MR. EDAVANATT S. PADMANABHA MENON (*Shertala I*): Sir, I rise to support the motion of Mr. Asan. I think that the Income Tax Inspectors' posts must go. These are days of financial stringency when the representatives of the people and the officials have to consult each other whether they could successfully cut down public expenditure without prejudice to the efficiency of the administration. This is one of those items. In this case, the efficiency of the administration will not suffer, and as such these offices can be abolished with advantage. So, I support the motion.

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): Sir, as Mr. Asan pointed out, there are only three Inspectors—one for Trivandrum, another for Quilon and a third for Alleppey. These towns are admittedly large business centres, and in the interest of revenue which is due to Government, it is absolutely necessary to maintain these Inspectors. It is true that, in the case of big Companies, profit and loss accounts are kept properly and the Collectors have only to peruse them and assess income tax. But, there are a large number of persons in these towns and other places who do not keep their accounts in the form in which they ought to be kept. When they are asked to produce accounts, they do not sometimes do it. Sometimes they keep incorrect accounts. In large towns where there are a number of assessees, the Collector requires the help of an officer like the Income Tax Inspector to help him to find out the persons who are assessable to income tax. It has been said that the Inspectors are not necessary because there is the normal staff of the Land Revenue Department, the Tahsildars and the Proverthikars, to carry on the

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necessary enquiry. Proverthikars and Tahsildars carry on the enquiry in the taluk areas, but in large towns, it is not possible for them to come in close contact with the merchants and other business men.

MR. R. RAMAN PILLAI (*Changanachery* cum *Peermade II*): Are there no municipalities in these places?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): There are.

MR. R. RAMAN PILLAI (*Changanachery* cum *Peermade II*): Are there not professional taxes?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): Yes.

MR. R. RAMAN PILLAI (*Changanachery* cum *Peermade II*): What is the kind of people whom these Inspectors tax in addition to the tax levied by the Municipal authorities?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): In spite of these Municipalities, the Income Tax Inspectors do find new assessees and add to the income. I find from a statement submitted to Government some time ago that, in the year 1104, the Inspectors were responsible for bringing to light an income of Rs. 11,500. In the next year they brought to light about Rs. 8,000; and the next year Rs. 6,000. The fall ,of course, is due to the economic depression.

MR. R. RAMAN PILLAI (*Changanachery* cum *Peermade II*): Can it not be avoided by appointing efficient officers under Municipalities?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): I do not think Government have anything to do with the appointment of officers under Municipalities.

MR. R. RAMAN PILLAI (*Changanachery* cum *Peermade II*): Is not the Trivandrum Municipality under the control of the Government?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): I do not think so.

MR. A. S. DAMODARAN ASAN (*Mavelikara*): What was the new income for 1107?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): I have not got that figure.

MR. A. S. DAMODARAN ASAN (*Mavelikara*): This is the close of 1108; and has not the Land Revenue Commissioner got the figures for 1107?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): I have not got the figures.

MR. T. P. VELAYUDHAN PILLAI (*Tiruvalla 'III*): ൧൦൭-ൽ ഇൻകംടാക്സ് ഇൻസ്പെക്ടർമാരുടെ ശ്രമംകൊണ്ടുമാത്രം വല്ലസംഖ്യയും കിട്ടീട്ടുണ്ടോ?

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RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : ആ കണക്ക് നോക്കീട്ടില്ല.

MR. T. P. VELAYUDHAN PILLAI (*Tiruvalla III*) : അങ്ങനെ വല്ല സംഖ്യയും കിട്ടീട്ടുള്ളതായി അറിവുണ്ടോ?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : ൧൦൮, ൧൦൯, ൧൧൦ ഈ മൂന്നുകൊല്ലങ്ങളിലെ കണക്കുകൊണ്ടു ൧൦൬-ലും അങ്ങനെ കിട്ടീട്ടുണ്ടായിരിക്കണമെന്നു വേണം വിചാരിക്കാൻ.

MR. PUTHUPALLI S. KRISHNA PILLAI (*Quilon II*) : May I know whether the three figures given by him, for 1104, 1105 and 1106, were ascertained by comparison with the previous year's collections or with the profession tax collected by the Municipality?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Taa Commissioner*) : I did not catch the member, Sir.

MR. PUTHUPALLI S. KRISHNA PILLAI (*Quilon II*) : Every member on this side of the House is entitled to greater respect, Sir; official members ought not to speak aside when we are putting questions to them. I was asking the Income Tax Commissioner whether the three figures given by him, for 1104, 1105 and 1106, were ascertained by a comparison with the previous year's collections or by a comparison with the profession tax collected by the Municipality.

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : The amounts I have mentioned represent the income tax collected as a result of the discoveries, of assessable income, made by the Income Tax Inspectors.

MR. PUTHUPALLI S. KRISHNA PILLAI (*Quilon II*) : May I know whether the same variations can be found in the case of collections by the Municipalities also?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : I do not know.

MR. PUTHUPALLI S. KRISHNA PILLAI (*Quilon II*) : I ask the question because that might afford an answer to Mr. Raman Pillai's question whether the work could not be carried on satisfactorily by the subordinates of the Municipality.

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : I do not think that Government can indent upon the services of Municipal subordinates.

MR. PUTHUPALLI S. KRISHNA PILLAI (*Quilon II*) : Are the Government satisfied that the work, now done by the Income Tax Inspectors, cannot be done by the Proverthikars and Tahsildars; or, have the Government no confidence in them?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : They have no time to attend to this work.

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MR. PUTHUPALLI S. KRISHNA PILLAI (*Quilon II*) : Why not appoint a few more Proverthikars ?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : In large business centres and towns, where these Income Tax Inspectors are working, it is better to have, for this kind of work, officers of higher status than the Proverthikars ; because, the accounts of big firms may have to be examined and the provisions of the Income Tax Regulation may have to be interpreted.

MR. PUTHUPALLI S. KRISHNA PILLAI (*Quilon II*) : Are the Revenue Inspectors, and such officers of Municipalities, officers of higher status than the Income Tax Inspectors, or are they of lower status ?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : I should think that the Income Tax Inspectors are of higher status.

MR. PUTHUPALLI S. KRISHNA PILLAI (*Quilon II*) : Would the member therefore suggest a revision of the status of these Municipal Officers so that they may be entrusted with this income tax work also ?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : I have nothing to do with municipal subordinates.

MR. PACODE A. NARAYANA PILLAI (*Vilavankod*) : Do the Inspectors have to do any actual collection work ?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : No.

MR. PACODE A. NARAYANA PILLAI (*Vilavankod*) : Do they attend to assessment work ?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : No. They conduct enquiries and assist the Income Tax Collectors.

MR. PACODE A. NARAYANA PILLAI (*Vilavankod*) : Doing a sort of C. I. D. work, I suppose ?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : Whatever that may be, they are rendering real assistance to the Collectors.

MR. PACODE A. NARAYANA PILLAI (*Vilavankod*) : Does the member believe that the work done by the Income Tax Inspectors is really conducive to the increase of revenue ?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : Yes ; I do believe so.

MR. N. ABDUR RAHIMAN SAHIB (*Nominated*) : May I know whether appeals and revisions are not pending before the Commissioner in regard to the discoveries made by these Inspectors ?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : I have not got that information now. There are income tax petitions pending in my office. That is all I know.

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MR. N. ABDUR RAHIMAN SAHIB (*Nominated*) : Is the member in a position to assure the House that the collections are actually going down?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : Yes ; there is a fall.

MR. KAINIKKARA M. PADMANABHA PILLAI (*Changanachery I*) : May I ask whether, during the three years in which in the three towns which have Income Tax Inspectors the collections have increased on account of these Inspectors, there have not been similar increases in other towns which do not have Income Tax Inspectors?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : I am not in a position to give a definite answer to that question.

MR. T. K. VELU PILLAI (*Trivandrum-Urban*) ; Are the diaries of these Inspectors being carefully scrutinised by the Commissioner?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) They are first scrutinised by the Dewan Peishkars and then by the Income Tax Commissioner.

MR. T. K. VELU PILLAI (*Trivandrum-Urban*) : How many diaries has the Commissioner to scrutinise every month? I want the information just to get a working idea.

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : They are sending weekly diaries, I believe.

MR. P. K. NARAYANA PILLAI (*Ambalapuzha I*) : Are there not instances of erroneous information, as to assessability, supplied by these Inspectors?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : It is likely that, in some cases, appeals may be preferred against the assessment made at the instance of these Inspectors. But, I cannot say that I have come across specific instances in which erroneous information has been furnished by the Income Tax Inspectors.

MR. A. S. DAMODARAN ASAN (*Mavelikara*) : If these posts are abolished, will it not be a saving of some time to the Commissioner, since he will not have any of their diaries to examine?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) ; I do not think so.

MR. K. A. NARAYANA PILLAI (*Thodupuzha* cum *Devicolam*) : May I know who conducts the investigation, done by the Inspectors, in places where there are no Inspectors?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : The Revenue staff.

MR. K. A. NARAYANA PILLAI (*Thodupuzha* cum *Devicolam*) : Proverahikars?

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RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : Proverthikars and Tahsildars.

MR. K. A. NARAYANA PILLAI (*Thodupuzha* cum *Devicolam*) : Could they not do it in these three towns also ?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : These are very big towns, and the Revenue subordinates will not get time to do this work satisfactorily.

MR. CHANGANACHERY K. PARAMESVARAN PILLAI (*Kunnattur* cum *Pattanapuram*) : Is not Kottayam a big town ?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : For income tax purposes, it is not as big as any of these three towns where we now have Income Tax Inspectors.

MR. CHANGANACHERY K. PARAMESVARAN PILLAI (*Kunnattur* cum *Pattanapuram*): Who does the Income Tax Inspectors' work at Kottayam ?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : The Tahsildars and other Revenue officers.

MR. CHANGANACHERY K. PARAMESVARAN PILLAI (*Kunnattur* cum *Pattanapuram*) : Has it ever come to the notice of the Commissioner that the work was not being done satisfactorily, at Kottayam, for instance ?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : No ; Kottayam is not as big a business centre as the other three towns.

MR. CHANGANACHERY K. PARAMESVARAN PILLAI (*Kunnattur* cum *Pattanapuram*) : What is the amount of income tax collected at Kottayam ?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : I am sorry I have not got that information now.

MR. CHANGANACHERY K. PARAMESVARAN PILLAI (*Kunnattur* cum *Pattanapuram*) : Am I to understand that the member is not in a position to give a comparative statement of the income tax collections of Kottayam and the other three towns ?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : I have not got the information with me at present.

MR. N ABDUR RAHIMAN SAHIB (*Nominated*) : Has not the Commissioner come across instances of assessment being made on erroneous information supplied by the Inspectors ?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : I have come across cases of erroneous information furnished by Proverthicars, but not by Inspectors.

MR. M. SIVATANU PILLAI (*Tovala*) : May I know the circumstances which enabled the Commissioner to affirm that these amounts, referred to by him just a while ago, were collected because of the Inspectors ?

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RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): I say so on the authority of my prodecessor in office who has shown, in a letter to Government, that these amounts were collected as a result of information furnished by the Inspectors.

MR. M. SIVATANU PILLAI (*Tovala*): How does the member find it possible to state definitely that, but for these Inspectors, these amounts would not have been collected?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): Because, it was these Inspectors who actually detected the assessees and reported that they had assessable income.

MR. M. SIVATANU PILLAI (*Tovala*): Am I to understand that, but for these Inspectors, these amounts would not have been collected?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): Certainly.

MR. M. SIVATANU PILLAI (*Tovala*): May I know whether Nagercoil, in the opinion of the member, is less important, as a business centre, than Quilon?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): It is a matter of opinion. I think it is not as important as Quilon or Alleppey.

MR. M. SIVATANU PILLAI (*Tovala*): Has the member any figures to support his statement?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): That is my impression; I have not got figures. If the member thinks that Nagercoil is really more important, Government have certainly no objection to appoint an Income Tax Inspector for Nagercoil also.

MR. M. SIVATANU PILLAI (*Tovala*): My point is that, in spite of the fact that Nagercoil is a bigger business centre than Quilon, for instance, the collection of income tax there has been going on quite satisfactorily without any Income Tax Inspector, and that, therefore, there cannot be any real need for these Inspectors in any town in Travancore.

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): Sir, I may inform the House that, if they are really keen on the abolition of these appointments, Government have no objection to consider the question. Personally, I am not sure whether such a step will not lead to loss of revenue.

MR. PUTHUPALLI S. KRISHNA PILLAI (*Quilon II*): Was there not a recommendation by the Dewan Peishkars that these posts might be abolished?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): Such a recommendation was once made by the Dewan Peishkar who was then in charge of the Land Revenue and Income Tax Departments.

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MR. PUTHUPALLI S. KRISHNA PILLAI (*Quilon II*): Did not the Quilon Peishkar once recommend it? Did not the Trivandrum Peishkar also do it?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): I do not know. I say, Government are prepared to consider the question of abolishing these posts.

MR. PUTHUPALLI S. KRISHNA PILLAI (*Quilon II*): Has not the Land Revenue Commissioner considered this question?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): He once considered it and wrote to Government that the posts should not be abolished. He now thinks that, if it is the wish of the House, he may reconsider the question.

MR. PUTHUPALLI S. KRISHNA PILLAI (*Quilon II*): Did not the Retrenchment Committee recommend the abolition of these posts?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): It was as a result of their recommendation that the Dewan Peishkar in charge of the Department recommended the abolition of the posts. But, when the permanent Commissioner took charge, he disagreed with him and wrote to Government to say that the posts were necessary.

MR. PUTHUPALLI S. KRISHNA PILLAI (*Quilon II*): I suppose, now the Government are willing to abolish the posts.

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): Government will consider the question if that is the wish of the House.

MR. PUTHUPALLI S. KRISHNA PILLAI (*Quilon II*) I thought the member said that Government would do it.

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): If the House is in favour of it.

MR. A. S. DAMODARAN ASAN (*Mavelikara*): In view of the fact that my motion has been accepted .....

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): Sir, I want the vote of the House.

MR. A. S. DAMODARAN ASAN (*Mavelikara*): I have nothing more to add, except to say that it is regrettable that, the Commissioner has not been able to give us the figures even for 1107, and that we have not got the Administration Report for Income Tax for 1107 so that we were not in a position to offer more criticisms about income tax. With these words, I press this motion to a division.

The motion was put to vote and carried.

Motion No. 56.

The following motion being identical was not moved :—

MR. T. P. VELAYUDHAN PILLAI :

To reduce the allotment of Rs. 6,020 for salaries by Rs. 4,500.

Motion No. 57.

MR. P. CHIDAMBARAM PILLAI (*Commerce and Industry, South*): Sir, I beg to make the following motion :

To reduce the allotment of Rs. 92,920 under Demand II by Re. 1.

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PRESIDENT: I cannot hear you, Mr. Chidambaram Pillai.

MR. P. CHIDAMBARAM PILLAI (*Commerce and Industry, South*): Sir, I represent a constituency which has been mainly framed on an income tax basis. In the elections of 1106, there were nearly 700 voters in my constituency. During the present elections, there were 318 voters in my constituency. That itself shows, without any thing more, that, in the space of a year and a half, the incomes of about 350 merchants and industrialists have dwindled down to incomes not assessable to income tax. That shows that industry and commerce have been hard hit by the economic depression which has been prevalent. In these circumstances, it becomes necessary that the income tax which is levied from these people will have to be reduced. A recommendation to that effect was made by the non-official members of the Economic Depression Enquiry Committee, that income tax must be reduced for the year 1107; but that was not accepted by Government. Of course, I am perfectly aware that the motion which I have made will not be a popular one for the simple reason that the Income Tax Regulation itself, curiously enough, came to be introduced on account of a public request. That is one of the measures which came to be insisted upon by the members of the old Legislative Council and the Popular Assembly. So much so at the time it was introduced, that is in the year 1096, it was a period of prosperity for trade and industry. That was about 1921 and 1922. When it was introduced it looked as though it was introduced as a mere matter of vengeance on the part of those people who were paying land tax. They thought that there were classes of people like the merchants and Government officials who were paying no tax whatsoever to the Government and therefore they thought 'Let them also pay tax'. Now what happened when that Regulation came to be passed was that the administration itself was begun to be taxed. But the Government officials went off scot-free because at the time of the Regulation there was an official Salaries Committee which sat for an increase in the official salary; and the officers got increased salaries; so that what was gained in the rounds was lost in the swings. What the public got by means of income tax from the officials had to be returned in double the quantity in the increase of pay given to them. But at that time, that is in 1921 and 1922, the merchants were having a good time of it and therefore they did not feel the payment of the income tax as being unduly severe. But, at the present moment, in Travancore, the people who have got to pay income tax are lawyers, merchants and people who are engaged in industries. As regards the lawyers, of course, they are by the etiquette of their profession not permitted to advertise their activities. Therefore, they are bound to pay income tax even though most of them are not in a position to do that, because they have got to keep up appearances, and appearances count for a good deal in the profession. Even though the economic condition is such that many a

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lawyer finds it difficult to pay income tax he is still paying it. As regards the merchants also, the difficulty is that as a matter of fact most of them are not making any profit; but somehow or other they are being assessed, and they are paying it also, because, from the figures which I have given of my constituency, some of the people will have gone to the Insolvency Court; and it is never a good policy on the part of any merchant to go to the court and say that he is not paying income tax. That will affect his credit. But, of course, we have got to make something out of this tax somehow or other, and the most important thing to remember is that in the matter of assessment there is considerable difficulty. In British India a question arose as to how the original assessment to income tax has to be made. In British India it is being made by means of confidential non-official agencies such as the local boards, district boards and municipalities. Here in this House also the question was raised why the agency of the municipality could not be utilised for the purpose of original assessment. The Income Tax Commissioner and the Inspectors have got to be judges in the matter and it will not do well if they themselves go forward and assess the tax to be paid. It would be much better if some intermediate agency between the tax-payer and the tax-gatherer is introduced. Let them sit in judgment upon the assessment made by the intermediate agencies. The best available agency here will be the municipalities. Unfortunately, it so happens that the professional tax levied by the municipality is itself based upon the income tax returns. That is where the difficulty arises so far as I know. In England, on the other hand, they have got special Commissioners, selected from the Land Revenue and general commissioners who are drawn from the local gentry itself. That will be a good thing in the case of land revenue also. That is to say, it is the people's representatives who act as the original assessors, and it is the Income Tax Commissioner who sits in appeal upon the original assessors and the subordinate Income Tax officers, and both sides are heard and the matter settled in the event of any dispute arising. Anyhow, at the present moment, the introduction of a non-official agency in the matter of the original assessment is absolutely essential because there is a good deal of complaint in the matter of assessment. Notices are issued to people, and that leads often to complaints; and ultimately a small proportion of the people to whom notices are issued come to be taxed. That could be avoided, and if anything could be done in these days of economic depression my suggestion will be to take away the taxes from merchants and lawyers. In the alternative, the best thing would be to introduce a non-official agency to fix the original assessment. With these words, I move the motion.

MR. M. N. NAIR (*Kottayam I*): Sir, I have great pain to differ from my friend Mr. Chidambaram Pillai in his argument in favour of taking away the income tax from merchants and lawyers. On the other hand, I think it is very fair to put efficient men to go into the accounts clearly and correctly. The other day, Mr. Chidambaram Pillai himself

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[Mr. M. N. Nair.]

complained about the inability of the assessors to go into the accounts of merchants to assess income tax. That difficulty I also have been feeling because I am a resident of the Alleppey town. Almost all the merchants in Alleppey town are Guzaratis and they are the biggest merchants also. Their accounts are kept in Guzarati. Therefore, the officers who are to assess them are not able to go into their accounts correctly. Therefore, I think our Income Tax Department also is suffering much in the way of their income. Some merchants are not giving as much income tax as they ought to give. That is my opinion in the matter. Travancore is a country where it seems the land owners are more severely taxed than all other people who get income by other means. I do not know why my friend requests exemption for lawyers also in the matter of income tax. Perhaps this House consists of many of the biggest lawyers who can argue in his favour very well.

I therefore want to impress upon the Government that it is very necessary to appoint income tax assessors who are able to go into the accounts of all merchants, who know Guzarati, Tamil and all other languages and who are experts in looking into the accounts also. That is the point I want to urge upon this House, and doing that I take my seat.

MR. T. K. VELU PILLAI (*Trivandrum-Urban*): Sir, I wish to say a word ; and I do so for a personal reason as well. I was one of the members on the Assembly who asked for the imposition of income tax. It was in 1090. It was then a prosperous time when the land owners alone were paying heavy taxes. Some of us did not like the lawyers, merchants and others who made large incomes to go scot-free. But yesterday I was able to find that this House was in favour of coming to the rescue of agriculturists whether they are rich men or poor men. If so, the representatives of other professions, the lawyers, merchants and others may also be entitled to some kind of consideration. So, during the time of the economic depression, so long as it prevails, I request that Government be pleased to consider a reduction of the rates of income tax.

MR. S. CHATTANATHA KARAYALAR (*Shencotta*): I have tabled a similar motion. May I speak on the motion before the House and also move mine ?

PRESIDENT : I am afraid you cannot.

MR. N. E. VARUGHESE (*Tiruvalla I*): സർ, ആദായനികുതി ഇനത്തിൽ കുറവുവരുത്തണമെന്നുള്ള അഭിപ്രായത്തോടു ഞാൻ യോജിക്കുന്നില്ല. ആദായമുള്ളവർ നികുതികൊടുക്കണമെന്നാണ് ചട്ടം. രാജ്യം എത്രതന്നെ അധഃപതനാവസ്ഥയിൽ ഇരുന്നാലും ആ അധഃപതനത്തോടുകൂടി നടത്തുന്ന വ്യാപാരത്തിൽ കിട്ടുന്ന ആദായത്തിന്മാത്രമെ നികുതികൊടുക്കേണ്ടതായി വരികയുള്ളൂ. അതുകൊണ്ടു നഷ്ടം ആകും വരുന്നതല്ല. മി. ടി. കെ. വേലുപിള്ള പറഞ്ഞതു ധനവാന്മാരെയും സാധുക്കളെയും ബാധിക്കത്തക്കവണ്ണമുള്ള നികുതി ചുമത്തണമെന്നുള്ളതാണ്. അതും

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ഈ സഭമുമ്പാകെയിരിക്കുന്ന പ്രശ്നവും തമ്മിൽ യാതൊരു ബന്ധവുമില്ല. (Mr. A. S. Damodaran Asan—'Hear, hear') ഇതിനുമുമ്പു ഭൂനികുതിയിൽ ഒരംശം കുറച്ചതുപോലെ ഗവണ്മെൻറിനു ഇപ്പോൾകേണ്ട എല്ലാ ഇനത്തിലും കുറവുവരുത്തണമെന്നു പറയുന്നതു ശരിയല്ല.

MR. M. N. NAIR (*Kottayam I*): ആദായനികുതി ചുമത്തുന്നതു ൨ ൦ ൦ ൦ രൂപായ്ക്കു മേലുള്ള ആദായത്തിനാണെന്നു മെമ്പർക്കറിയാമോ?

MR. N. E. VARUGHESE (*Tiruvalla I*): അറിയാം.

MR. M. N. NAIR (*Kottayam I*): അങ്ങിനെ ഒരു ദാക്ഷിണ്യം ഭൂസ്വത്തുടമസ്ഥന്മാരോടു ചെയ്യുന്നുണ്ടോ?

MR. N. E. VARUGHESE (*Tiruvalla I*): ഇല്ലാ; കൃഷിയിൽനിന്നുമുള്ള ആദായത്തിനു ആദായനികുതി ചുമത്തുന്നുമില്ല.

MR. K. R. ELENKATH (*Kalkulam I*): ഇത്ര ഏക്കർ ഭൂമിയിൽ കൃഷ്ടതല്പുള്ളയാൾമാത്രം കരംകൊടുത്താൽമതിഎന്നു വ്യവസ്ഥവച്ചിട്ടുണ്ടോ?

MR. N. E. VARUGHESE (*Tiruvalla I*): ആദായനികുതിയും ഭൂനികുതിയും രണ്ടും രണ്ടുപ്രമാണങ്ങളെ അടിസ്ഥാനപ്പെടുത്തിയാണല്ലോ ചുമത്തുന്നതു്.

MR. M. N. NAIR (*Kottayam I*): ഭൂസ്വത്തുടമസ്ഥന്മാക്കു ഇത്ര ആദായം കിട്ടുകയാണെങ്കിൽ കരംകൊടുത്താൽ മതിയെന്നും ഇത്ര ആദായം കിട്ടുകയാണെങ്കിൽ കരം കൊടുക്കണ്ടാ എന്നും വച്ചിട്ടുണ്ടോ?

MR. N. E. VARUGHESE (*Tiruvalla I*): ഇല്ലാ. എല്ലാവരും കരംകൊടുക്കേണ്ടതായി വച്ചിട്ടുണ്ടു്. അതിലേക്കു വസ്തു അനുഭവിക്കുന്നുമുണ്ടു്.

MR. M. N. NAIR (*Kottayam I*): ചിലവുനീക്കി ൨ ൦ ൦ ൦ രൂപാക്കു മേൽ ആദായംകിട്ടുമെങ്കിൽ ആദായനികുതി കൊടുക്കണമെന്നാണു് വ്യവസ്ഥ. അതുപോലെയുള്ള ഒരു സൌജന്യം ഭൂസ്വത്തിന്മേൽ കരംകൊടുക്കുന്നവക്കു ചെയ്തുകൊടുത്തിട്ടുണ്ടോ?

MR. N. E. VARUGHESE (*Tiruvalla I*): ഇല്ല. കരവും ആദായനികുതിയും രണ്ടും രണ്ടുപ്രമാണത്തിന്മേലുള്ളതാണെന്നു ഞാൻ മുമ്പുതന്നെ പറഞ്ഞല്ലോ?

MR. T. K. VELU PILLAI (*Trivandrum—Urban*): കൃഷിക്കാരുടെ കലപ്പ, നകം മുതലായ കൃഷിആയുധങ്ങളെ ജപ്തിചെയ്യുകൂടെന്നു നിയമമില്ലേ?

MR. N. E. VARUGHESE (*Tiruvalla I*): ഉണ്ടെന്നാണു് തോന്നുന്നതു്.

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MR. CHANGANACHERY K. PARAMESVARAN PILLAI (*Kunnattur cum Pattanapuram*) : Sir, I also rise to oppose the motion. In the case of income tax payers, their tax is automatically reduced when their income is reduced. Therefore there is no need to give them any relief.

RAO SAHIB DR N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : Sir, Mr. Chidambaram Pillai's motion, as far as I had been able to hear him, is to exempt merchants and lawyers from the payment of income tax. But, as has been pointed out by some members on the other side of the House, it is only the income earned by the merchants and lawyers that is being taxed. If their income is less this year than it was last year, to that extent the tax they have to pay will also be less. Income up to Rs. 2,000 is not taxed at all. Only those who can pay are being taxed. I do not see any reason why exemption should be granted to lawyers and merchants alone. If they do earn an assessable income, it is only fair that they pay a portion as tax to Government. If exemption is urged on the ground of economic depression, I do not know where we will be landed. Yesterday, the House passed a motion to the effect that 25 per cent. of the land tax should be remitted. Now income tax is also to be remitted and later on, there will probably be motions for reduction of other taxes as well. If all these requests are granted. I do not know where we will be landed. In this particular case, we are taxing only the income actually earned and to me it seems that there is no unfairness in this.

Regarding Mr. M. N. Nair's suggestion that assessors who know Guzarati should be appointed, at Alleppey, I may say that it is true that merchants in Alleppey are keeping accounts in Guzarati. But it is difficult to find an officer who knows Guzarati. Anyhow it is a matter for consideration whether it will be possible to get one who knows the intricate Guzarati system of keeping accounts.

Mr. Chidambaram Pillai's motion should not however be carried,

MR. P. CHIDAMBARAM PILLAI (*Commerce and Industry, South*) : Sir; I did not expect any sympathy from the Land Revenue Commissioner ; because yesterday he was not very considerate to the poor tax payers who paid Re. 1 and less as tax. What I wish to point out is that some of us were trying to put up a brave appearance in the midst of economic difficulties. I withdraw the motion.

The motion was, by leave, withdrawn.

Motion No. 58.

The following motion was not moved.

MR. M. N. NAIR :

To reduce the total allotment of Rs. 19,320 under Demand II by Re. 1.

Motion No. 59.

MR. S. CHATTANATHA KARAYALAR (*Shencotta*) : Sir, I beg to make the following motion :

To reduce the total allotment of Rs. 19,320 under Demand II by Re. 1.

Sir, my object in making this motion is to offer a few remarks regarding the administration of the law of income-tax. The law of income tax is administered by a set of officers who are not well trained in the

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administration of the law. This leads to great difficulties and inconvenience to the general public. The difficulties are only accentuated by the fact that the law is a fiscal enactment. The difficulties arise in this way. The interpretation of a fiscal enactment like the Income Tax Regulation has to be done on different lines from the general law. I will refer to one rule of interpretation. One fundamental rule of interpretation is that where a particular provision in a fiscal Act is capable of being interpreted in two ways, one favourable to the subject and the other unfavourable to the subject, the interpretation which is favourable to the subject should be adopted. This is not being done by the Income Tax authorities, either because they ignore it altogether or because they have not understood it properly. If only they will keep this in mind, a great deal of the difficulties of the assessees could be obviated.

Another point I wish to emphasise is that, under the Income Tax Law, it is the income that actually accrues, arises or is received in Travancore that is liable to be assessed. Persons who get their income from places outside Travancore are not liable unless such income is brought into Travancore. This rule has to be borne in mind constantly in the case of assessees in places lying in the borders of Travancore. People who are on the borders of Travancore have got properties both in Travancore and in British India. The fact that they hold properties in British India will not render them liable. Unless income derived from such properties is brought into Travancore, it cannot be made the basis of liability. Very many cases of such liability have been brought to my notice. I hope the Income Tax authorities will take note of this point and see that no inconvenience is caused to assessees in this direction.

Another point I wish to bring to the notice of Government is the fact that there are difficulties created by the working of Section 23 of the Income Tax Regulation. This section lays down the powers of revision of the Chief Revenue Authority. Apparently it gives very wide powers to the Chief Revenue Authority. Under the cloak of the powers given by this section, the Chief Revenue Authority sometimes tries to bring under assessment incomes which have probably escaped assessment for several years, or he seeks to revise the proceedings on which orders had long since been passed by subordinate officers. In British India similar powers are given under a similar section of the British Indian Act. But, by an executive circular of the Government of India, the Income Tax Commissioners are specially directed not to exercise powers under the Section on assessment proceedings on which subordinate officers have passed orders more than a year ago. The exercise of these revisional powers have created very many difficulties for many assessees. I hope the Government will take note of this fact and limit the power of the Chief Revenue Authority in cases of revision to one year, in the same way as the British Indian Government have limited the revisional powers.

Another point I wish to bring to the notice of this House is the exercise of the powers under Section 25 of the Income Tax Regulation. This Section lays down the powers of assessment in respect of incomes which have escaped assessment or on which inadequate

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[Mr. Chattanatha Karayalar.]

assessment has been made. The exercise of the powers under this Section is subject to the same formalities as are to be gone through in the case of original assessment. This fact is very often forgotten, and income tax authorities are ready to pounce upon the assessees without the ordinary formalities of issuing D. notice, etc. This is also a subject of complaint. I hope the Chief Revenue Authority or the Government will give due consideration to these remarks of mine and rectify these mistakes. With these words, I place my motion before the House.

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : Sir, Mr. Karayalar's chief complaint is about the interpretation of the Income Tax Regulation. I must say that doubts have arisen about some Sections of the Regulation, and the question of amending these Sections is now before the Government. Since its enactment, our Regulation has not been amended. The corresponding British Indian Act has been amended several times. It is necessary to amend our Regulation also so as to bring it into line with the British Indian Act. The whole question is now being considered by the Government.

MR. S. CHATTANATHA KARAYALAR (*Shencotta*) ; Do the Government have any objection in issuing a specific direction under Section 23 as in British India ?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : That Section says that the Chief Revenue Authority can call for any assessment proceedings which have been taken by any officer subordinate to him, and make such orders therein as he thinks fit. It confers the power on the Chief Revenue Authority to call for any record on the proceedings relating to an income and assess that income that has escaped assessment. Now, the question is whether the Chief Revenue Authority should do this within one year as laid down in another Section. In the corresponding Section in British India there occur the words "Subject to the provisions of this Act." This shows that that Section is subject to other provisions of that Act. We have not got such a provision in the corresponding section in our Regulation. That is why the Income Tax authorities interpret this Section in the way in which they have done, namely that there is no time limit. As the Section stands at present, the Chief Revenue Authority is not required to call for the records and take action within one year. The question of amending the Regulation is before the Government, and when it is amended, all the defects will be removed. Now, Mr. Karayalar however wants an executive order to be issued immediately limiting the power of revision by the Chief Revenue Authority to one year. This matter will be considered by Government.

MR. S. CHATTANATHA KARAYALAR (*Shencotta*) : Is the member aware that a similar order has been passed by the Revenue Board of India ?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) ; Probably it is so. The question of issuing such an order will be considered here also.

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Mr. Karayalar then referred to the assessment of income which is earned outside Travancore. The rule is that only the income which is brought into the State should be taxed. If in any case it has been done otherwise, it is a mistake and steps will be taken to prevent such mistakes in future. Whether a fiscal law should be interpreted in favour of the assessee or the Government, that is a moot question, and I do not want to discuss here this economic question now.

MR. S. CHATTANATHA KARAYALAR (*Shencotta*) : Is it an economic question ?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : Or it may be a legal question also.

The interpretation is generally in favour of the assessees only.

MR. S. CHATTANATHA KARAYALAR (*Shencotta*) : Are not the Income Tax authorities supposed to be aware of the Rules and their interpretation ?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : As far as possible, the interpretation of the Rules is generally in favour of the assessees. I may assure the House that all the points raised by Mr. Karayalar will be duly taken note of and considered by Government. I hope the member will withdraw his motion.

MR. S. CHATTANATHA KARAYALAR (*Shencotta*) : On the assurance that he will consider all the points raised by me, I beg leave to withdraw my motion.

The motion was, by leave, withdrawn.

Motion No. 60.

MR. K. PADMANABHAN (*Chirayinkil I*) : Sir, I beg to make the following motion :—

"To reduce the allotment of Rs. 19,320 for taxes on income by Rs. 100."

The object is to discuss the summary and often arbitrary procedure adopted by the Income Tax Collector in the matter of assessing taxes on income, and the consequent hardship occasioned to the public, and to suggest more efficient and satisfactory methods of doing the same. This has been discussed in the previous Councils also. The procedure adopted by the Income Tax authorities in the matter of assessing income tax is not quite regular. They impose tax in an arbitrary manner and the procedure is very often summary. The natural result of the summary procedure is that several persons who have no income at all happen to be assessed and persons who derive large incomes escape assessment. The usual practice in assessing income tax, as far as I understand it, is this. Each Income Tax Collector has a list, of persons to be assessed, in his office. Based on this list, notice is issued to persons mentioned therein calling upon them to show cause why they should not be assessed to income tax. On the prescribed date after the receipt of notice, these persons appear before the authorities concerned with their accounts. Usually, so far as

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[Mr. K. Padmanabhan]

merchants are concerned, the only available evidence is their accounts. Whether the Income Tax Inspectors go into these accounts or not, the authority who is to assess income tax will simply pass orders in this manner. I had occasion to come across a few orders. Their orders go more or less on these lines. 'The person has appeared before me with his accounts. The Proverthicar has reported that he is liable to assessment for an income of so many rupees. I do not believe the accounts. He has been assessed to an income of so many rupees last year. I see no reason why he should be getting a less income this year. Assessed accordingly". The mere fact that in one year he had an income tax assessed on his income does not mean that he must be getting such income in subsequent years also. This sort of assessment is really detrimental to the generality of people. So what I beg to submit is that the proceedings should be regularised. I say an opportunity should be given to persons who are assessed to adduce their evidence if they have as a matter of fact no assessable income. Whatever evidence they produce should be viewed in the proper spirit and due credit should be given to their accounts. The accounts produced by merchants should not be summarily rejected by the authorities saying "I do not believe the accounts". When they say that they do not believe the accounts they must also assign reasons for that. Merely on the basis of the report submitted by the Proverthicar or other revenue subordinate, the Income Tax Collectors should not proceed to assess merchants and business men. Of course as in other cases where evidence is taken, in this matter also, the authorities concerned can take evidence. Whatever evidence is adduced should be weighed properly, and if found acceptable should be accepted. If a merchant is to be assessed, the Income Tax Collector can examine witnesses and see whether after all he has an assessable income. Simply because a man happens to pay in one year some income tax it should not be presumed that he has an assessable income in the next year also. My object is to bring to the notice of the House the very bad practice followed in the matter of assessing income tax, and to urge the necessity for making improvements in the method of assessing tax on income. With these words, I place the motion for the consideration of the house.

MR. S. J. NAIR (*Nedumangad*): Sir, I second the motion; and in doing so I draw the attention of the Revenue Commissioner to the various difficulties that poor merchants and professional men are undergoing today as a result of the vagaries committed by Proverthicars. In moffusil places, Proverthicars give instructions to the Income Tax Collector by sending false lists of persons who have not got sufficient income. They, in their turn, issue notices to persons who have actually no income at all. The persons, whether merchants or professional men, after the receipt of the notices, have to wait at the Taluk Cutcherries for several days, invariably with their accounts,

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the Collector at the end saying that the accounts are not properly kept, and arbitrarily, unnecessarily and unreasonably assessing them on the grounds that the accounts are not correct and that they are not kept as they ought to be. Such hardships unnecessarily caused on persons who have really no income may be looked into. With these words, I support the motion.

MR. N. ABDUR RAHIMAN SAHIB (*Nominated*): I also support the motion of Mr. K. Padmanabhan. Very often, orders passed in income tax cases are *ex-parte*. That is all the more the reason why orders in Income Tax cases should be passed with the utmost circumspection and care. What happens is this. The Income Tax Collectors invariably pass orders simply on the notes submitted by the clerks. A notice E. form is sent to the persons concerned calling upon them to produce their accounts. Very often it may happen that the notices are not served to the parties concerned, and I know there are many instances where the assessees are declared as defaulters and assessed at a very big sum on that account. Care is not taken to have the notices personally served and sufficient opportunity is not given to the assessees to produce all the accounts, vouchers and other records as evidence. Moreover, the Income Tax Collector passes only a short order in two lines on the notes of the clerks like "Assessed accordingly" or "Assessed to pay so much." That is all the order. The accounts are not properly scrutinised; evidence is not taken properly to arrive at the correct figure, and the hardship caused to the people at large is very great on this account. So, to improve the tone of the system and to adopt a better procedure in arriving at correct, accurate assessment, it is necessary that something should be done. With these words, I support the motion.

MR. V. RAMAKRISHNA PANICKAR (*Kartikapalli II*): I support the motion with a view to point out certain irregularities and high-handedness perpetrated by certain underlings of the Department in the matter of assessing income tax. The Regulation lays down certain definite Rules to be followed on the subject. These Rules are not strictly followed. If any clerk in charge of the section wants to spite a petty merchant or any other man, he issues or causes to be issued a notice asking him to present himself with proper accounts before the authority concerned. In case he does not produce accounts, he is assessed, and some instances have come to my notice that certain managers of dramatic parties were issued notices simply because the clerk in charge of the section was not given a free pass to attend the drama. Such instances are not rare. Therefore, I suggest that where such assessments are set aside in appeal on flagrant grounds, the person responsible for the assessment must be severely dealt with.

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): Mr. Padmanabhan has pointed out the difficulties which the merchants and other assessees are subjected to in the matter of income tax assessment by the Collectors, particularly because some collectors disbelieve the accounts produced by them.

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MR. K. PADMANABHAN (*Chirayinkil I*) : Not merely this dis-believing of accounts; the whole procedure adopted for assessment is summary

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : In regard to the dis-believing of accounts, what I have to say is this. The rule is that, when an assessee or a would be assessee is required to produce his accounts, sometimes he fails to do so. In order to prepare a correct statement of income the accounts have to be kept in proper form. Large firms and some merchants keep their accounts correctly. They show in their accounts the correct profits or loss. Small merchants do not as a rule keep accounts in the form in which they ought to be; and when they are asked to explain the reason, proper explanations will not be forthcoming. In such cases, suspicion naturally arises as to whether the assessees are not trying to evade payment of tax by purposely showing the income as low as possible.

MR. K. PADMANABHAN (*Chirayinkil I*) : Am I to understand from the member that the assessment is based on sheer suspicion?

RAO SAHIB DR. N. KUNJAN PILLAI (*Land Revenue and Income Tax Commissioner*) : No, what I say is that some merchants do not keep their accounts in the proper form, and that when asked for the reason for not doing so they do not offer statisfactory explanation. I can give a few instances of this nature. There are cases in which the opening and closing balances do not tally. It may be due to the ignorance of the merchants or to the manipulation of the accounts. Whatever it may be due to, even the opening and the closing balances are not shown correctly.

MR. S. CHATTANATHA KARAYALAR (*Shencotta*) : May I ask the member whether it cannot be due to destruction of articles or, say, closing of the shops?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : It may be so. But when they are asked to give reasons for not keeping the accounts in proper form, why should they refuse to do so ? Suspicion naturally arises in such cases. The intention of some merchants at any rate is to show their profits as low as possible. If proper explanations are given for the fall in the profits, when asked to do so, they are believed. It is only in other cases that they are disbelieved.

MR. M. K. JANARDHANA KAMATH (*Commerce and Industry, North*): ആക്കാണ ഈ സംശയമുണ്ടാകുന്നത്?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : കലക്ടർക്കാണുണ്ടാകുന്നത്. അങ്ങിനെ സംശയം ഉണ്ടാകുമ്പോൾ കലക്ടർ മറു അന്വേഷണങ്ങൾനടത്തും.

MR. M. K. JANARDHANA KAMATH (*Commerce and Industry, North*): കലക്ടേർസിനെ അസസ്സിയുടെ സ്ഥിതിയെപ്പറ്റി അറിയാമൊ?

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RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): തഹശീൽദാരാണ് സാധാരണ കലക്ടർ. അല്ലെങ്കിൽ അസിസ്റ്റന്റ് ദിവാൻ പേഷ്കാരായിരിക്കും. കണക്കുകൾ അവരുടെ മുമ്പിൽ ഹാജരാക്കുമ്പോൾ അതിൽ നിന്നും വേണ്ടതെളിവുകൾ അവർക്കു കിട്ടും.

MR. M. K. JANARDHANA KAMATH (*Commerce and Industry, North*): കണക്കുകൾ കച്ചവടക്കാരൻ തന്നെകൊണ്ടു പോകണമെന്നു നിർബന്ധമില്ലല്ലോ. കച്ചവടക്കാരന്റെ ആളായാരിക്കും കൊണ്ടു പോകുന്നത്. അയാളിൽ നിന്നു കച്ചവടക്കാരന്റെ നിലയും വിലയും എങ്ങിനെ മനസ്സിലാക്കാം?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): കച്ചവടക്കാരന്റെ ആളിനു ശരിയായിസമാധാനം പറയുന്നതിനു നിവൃത്തിയില്ലാതെവന്നാൽ കച്ചവടക്കാരനെ വരുത്തി ചോദിക്കാമല്ലോ.

MR. S. J. NAIR (*Nedumangad*): May I know whether the Income Tax Collectors are justified in assessing income upon suspicion?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): Not upon suspicion. When the accounts are not clear the assessees are asked to explain the reason, and when they do not give satisfactory explanation there is the provision in the Regulation that the Collector may use his discretion and assess the income to the best of his judgment.

MR. S. J. NAIR (*Nedumangad*): In case of suspicion, is it not necessary on the part of the Income Tax Collector to take independent evidence and assess the party?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): Yes, the Collector does make independent enquires, and the results of these enquiries are compared with the accounts.

MR. K. A. NARAYANA PILLAI (*Todupuzha* cum *Devicolam*): What is the scope of the enquiry?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): The Collector makes confidential enquiries about the financial position of the assessee. I do not understand what the member means by "the scope of the enquiry".

MR. K. A. NARAYANA PILLAI (*Todupuzha* cum *Devicolam*): What is the manner or nature of these confidential enquiries?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): He goes round and tries to collect information from the people who know the assessee.

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MR. K. A. NARAYANA PILLAI (*Todupuzha* cum *Devicolam*): Do the collectors know the relations between the informants and the assessors.

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): I think that the local Proverthicars and Accountants, who are generally the informants, are likely to know the relationship.

MR. K. PADMANABHAN (*Chirayinkil I*): Do they take written statements from these informants?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): No.

MR. N. ABDUR RAHIMAN SAHIB (*Nominated*): May I know whether it is invariably the practice to take statements from the assessees?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): Yes, if found necessary.

MR. N. ABUDUR RAHIMAN SAHIB (*Nominated*): Is the practice of taking statements invariably followed?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): It is followed if found necessary. If the collector is satisfied with the explanation given by the assessee, a separate statement may not be taken.

MR. EDAVANATT S. PADMANABHA MENON (*Shertala I*): What is the next step after making the enquiries?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): The results of the enquiry are compared with the accounts.

MR. EDAVANATT S. PADMANABHA MENON (*Shertala I*): What are the actual data on which he proceeds?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): The confidential enquiries.

MR. EDAVANATT S. PADMANABHA MENON (*Shertala I*): May I know whether it is left to the discretion of the collector to fix any amount based on his confidential enquiry?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): If the assessee is asked to explain his accounts and if he does not do so satisfactorily, the collector has no alternative but to estimate the income to the best of his judgment. I shall be glad if members will suggest any other method.

MR. EDAVANATT S. PADMANABHA MENON (*Shertala I*): Why not make the enquiry more open and elastic?

MR. K. A. NARAYANA PILLAI (*Thodupuzha* cum *Devicolam*): Why not examine the informants before the assessees before they are assessed?

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RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : In the course of his tours the collector makes enquiries and collects the information.

MR. K. A. NARAYANA PILLAI (*Thodupuzha* cum *Devicolam*) : That is not my question. My question is whether the informants are examined by the collector in the presence of the assessees before they are assessed?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : I do not think that the rules require this procedure to be followed.

MR. K. PADMANABHAN (*Chirayinkil I*) : May I know by whom the confidential enquiry of the collector is scrutinised?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : By the collector.

MR. K. PADMANABHAN (*Chirayinkil I*) : May I know whether it is the practice of the Income Tax Collectors to pass their orders on the reports of the Proverthicars?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : I do not think so. In cases of doubts they verify the Proverthicars' reports with their own enquries before they pass orders.

MR. N. ABDUR RAHIMAN SAHIB (*Nominated*) : May I know whether any witness is examined in the manner in which witnesses are examined in civil courts?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : I do not think so. I do not think that there is examination and cross examination of witnesses.

MR. S. J. NAIR (*Nedumangad*) : May I know whether the confidential enquiry reports are incorporated in the records of the case?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : No; they are confidential.

Then, somebody referred to the issue of D notices. I may say that on the results of the enquiry and the reports of the Proverthicars the collectors are in a position to know the probable persons to whom D notice should be issued. It may so happen that some to whom the D notices are issued do not possess assessable income. It is very difficult to be accurate in the selection of persons who possess an assessable income, and it may happen that D notices are sometimes issued to persons who have no assessable income. But it is the policy of the Department to discourage the issue of D notices indiscriminately. In the course of my inspections, I give instructions to the collectors in this matter if I find that they have been issuing a large number of D notices unnecessarily.

With regard to the assessment as defaulters, I may say that the course is adopted only if the assessees do not produce their accounts or

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[Rao Sahib Dr. N. Kunjan Pillai]

if they do not turn up when called upon to give evidence. In such cases, the collector has no alternative but to assess the person as a defaulter.

MR. T. P. VELAYUDHAN PILLAI (*Tiruvalla III*): ഫൈനൽ ഇൻകം ടാക്സിനത്തിൽ ഏതെങ്കിലും സംഖ്യ റീഫണ്ട് ചെയ്തിട്ടുണ്ടോ?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): ചെയ്തിട്ടുണ്ടായിരിക്കാം.

MR. T. P. VELAYUDHAN PILLAI (*Tiruvalla III*): അതു നടപടി പിശകുകൊണ്ടു് ആദ്യത്തെ തീർച്ചയെ അസ്ഥിരപ്പെടുത്തി റീഫണ്ട് ചെയ്യുകയാണോചെയ്തത്?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*): അങ്ങനെയുമായിരിക്കാം. നടപടി പിശകില്ല എന്നഞാൻ പറയുന്നില്ല. നടപടി പിശകുണ്ടാകാം. നിവൃത്തിയുള്ളിടത്തോളം അതു കുറയ്ക്കുന്നതിനു വേണ്ട ജാഗ്രതചെയ്യുന്നുണ്ടു്.

MR. P. CHIDAMBARAM PILLAI (*Commerce and Industry, South*): Does not the member feel that it is an anomaly to have the collector both as the assessor and the judge?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : That is the law as it stands now.

MR. P. CHIDAMBARAM PILLAI (*Commerce and Industry, South*): Cannot that be remedied?

RAO SAHIB DR. N. KUNJAN PILLAI (*Ag. Land Revenue and Income Tax Commissioner*) : It may be considered.

All the criticisms that have been made here will be borne in mind, and everything possible will be done to mitigate the hardships experienced by the assessees. That is all that we can do.

MR. K. PADMANABHAN (*Chirayinkil I*): In the face of the assurance given by the Land Revenue and Income Tax Commissioner that all possible remedies will be effected, I do not wish to press the motion.

Motion No. 61.

The following motion was not moved.—

MR. S. J. NAIR (*Nedumangad*): To reduce the allotment of Rs. 19,320 under Demand II by Rs. 19,319.

The Demand was put to the vote of the House and carried.

The grant was made.

The House rose for lunch at 1-30 P. M. and re-assembled at 2-16 P. M.

DEMAND III—EXCISE DEPARTMENT—

MR. C. O. MADHAVAN (*Excise Commissioner*): Sir, I beg to move for a grant not exceeding Rs. 6,27,401 under Demand III—Excise.

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